

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PIONEER VILLAGE SEWERAGE)	
SYSTEM PLANT #1 REQUEST FOR)	
ISSUANCE OF A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND)	CASE NO. 96-490
NECESSITY IN ACCORDANCE WITH)	
KRS 278.020 AND APPROVAL OF)	
FINANCING IN ACCORDANCE WITH)	
KRS 278.300)	

O R D E R

Pioneer Village Sewerage System Plant #1 ("Pioneer Village") filed its application on November 4, 1996 seeking a Certificate of Public Convenience and Necessity for a plant expansion to its existing sewage treatment plant facility and for approval of its plan of financing for this project. The total project cost is estimated to be \$312,500. Project funding includes a \$250,000 loan from the Stock Yards Bank ("SYB") and \$62,500 in internal funds. The loan will be for a 15-year term at an interest rate of 9 percent per annum for the first 5 years, and at SYB's prime rate, floating daily for the remaining 10 years.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. In order to comply with the wastewater discharge permit issued by the Division of Water, Natural Resources and Environmental Protection Cabinet ("DOW") and to serve additional customers, Pioneer Village proposes to expand the sewage treatment capacity of its plant from 240,000 gallons-per-day to 310,000 gallons-per-day.

2. The proposed facilities have been approved by the DOW, are cost effective, and will not create wasteful duplication with any existing facilities. The total cost of the proposed construction, after allowances are made for fees, contingencies, and other indirect costs, is approximately \$312,500. The public convenience and necessity require that the proposed construction be performed and a Certificate of Public Convenience and Necessity should be granted.

3. Pioneer Village should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

4. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

5. Pioneer Village should furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts of Water Utilities prescribed by the Commission.

6. Pioneer Village should require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawing and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Pioneer Village should furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

8. KRS 278.300(2) requires applications for authority to issue or assume securities or evidences of indebtedness to be ruled on within 60 days unless it is necessary for good cause to continue the application. According to KRS 278.300(3), the Commission shall not approve the issue of any securities or evidences of indebtedness, or the assumption of any obligation or liability in respect to the securities or evidences of indebtedness of any other person unless the Commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

According to Exhibit 13 of Pioneer Village's application, its total operating expenses for its sewage treatment plant were \$100,178.77 in 1995, a year in which it experienced a net loss. Pioneer Village estimates that its operating expenses will increase to approximately \$160,000.00 annually after completion of the proposed project. From the information available to the Commission, it does not appear that Pioneer Village's current rates would allow it to pay for the increased expenses. It will therefore be necessary to extend the time for ruling on the financing application beyond the 60-day

limit in order to allow sufficient time to gather additional information concerning Pioneer Village's financial standing.


IT IS THEREFORE ORDERED that:

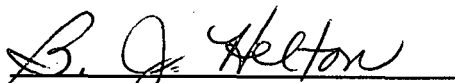
1. Pioneer Village is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein.
2. Pioneer Village's financing plan consisting of a \$250,000 loan from SYB and \$62,500 in Pioneer Village funds is continued beyond the 60-day period specified in KRS 278.300(2).
3. Pioneer Village shall comply with the requirements contained in Findings 3 through 7.

Done at Frankfort, Kentucky, this 23rd day of December, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director